

## **Item: 6**

**Investments Sub-committee: 29 August 2018.**

**Temporary Loans.**

**Report by Head of Finance.**

### **1. Purpose of Report**

To advise of the status of the temporary loan portfolio as at 30 June 2018.

### **2. Recommendations**

The Sub-committee is invited to note:

#### **2.1.**

The status of the temporary loan portfolio as at 30 June 2018, as detailed in section 3 of this report.

#### **2.2.**

That, for the period 1 April to 30 June 2018, the temporary loans portfolio made a return of £49,533.58 at an average interest rate of 0.69%.

#### **2.3.**

That the Treasury Policy Statement is being adhered to by the Finance Service and is producing an acceptable rate of return.

### **3. Temporary Loan Portfolio**

#### **3.1.**

The temporary loan portfolio as at 30 June 2018 totalled £33,105,993. Further details are provided in the Monthly Investment Analysis Review prepared by Link Asset Services, attached as Appendix 1 to this report.

#### **3.2.**

The following transactions have taken place since 30 June 2018:

- £2,000,000 matured from The Royal Bank of Scotland.
- £2,000,000 matured from Moray Council.
- £2,000,000 invested in National Westminster Bank Plc at a rate of 1.01%.
- £2,000,000 invested in National Westminster Bank Plc at a rate of 1.04%.
- £3,300,000 invested with Standard Life Investment Liquidity Fund, with an average net yield of 0.54%.
- £3,200,000 recalled from Standard Life Investment Liquidity Fund.

### **3.3.**

The value of the temporary loans stood at £33,159,978 as at 31 July 2018.

## **4. Rate of Return**

### **4.1.**

For the period 1 April 2018 to 30 June 2018, the temporary loans returned an average interest rate of 0.69%. This equates to a return of £49,533.58 on the temporary loans for the three months to 30 June 2018.

### **4.2.**

By comparison, the equivalent 90-day London Inter-Bank Offered Rate of 0.68% is considered to be the target.

### **4.3.**

With inflation quoted at 2.4% for June 2018 based on Consumer Price Index (3.4% Retail Price Index), the return on temporary loans equates to a relative decline in value of 1.71% in real terms.

## **5. Corporate Governance**

This report relates to the Council complying with its governance and financial process and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

## **6. Financial Implications**

### **6.1.**

The Treasury Policy Statement is being adhered to by the Finance Service and is producing an acceptable rate of return.

### **6.2.**

The effective management and control of risk are prime objectives of the Council's treasury management activities, with priority given to security and liquidity when investing funds.

## **7. Legal Aspects**

Section 69 of the Local Government (Scotland) Act 1973 empowers a local authority to lend and invest surplus funds on a temporary basis where it is calculated to facilitate or is conducive or incidental to the discharge of any of their functions.

## **8. Contact Officers**

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## **9. Appendix**

Appendix 1: Link Asset Services Monthly Investment Analysis Review for June 2018.